

**INDIANA HORSE
RACING COMMISSION**

Integrity '06

A Proposal

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Introduction

The Indiana Horse Racing Commission (IHRC) has historically utilized the winter months of the “off season” to look back at its previous year’s regulatory experiences for the purpose of improving the regulatory environment for Indiana’s pari-mutuel horse racing industry. The improvements recommended to the Commission for the 2006 race meets are included in this proposal.

The primary components of the “***Integrity ‘06***” proposal focus on the issue of deterring the administration of unauthorized medication on race days. The IHRC currently operates within the mainstream of national regulation on this particular issue. Many of the recommendations contained in this proposal are a departure from the industry norm. Most recommendations represent the “best practices” in the racing industry but are in effect in only a few states. Collectively, these initiatives would take Indiana from “the middle of the pack” and make us “the leader of the pack.”

Specifically, the effects of the proposed initiatives would be twofold. First, the initiatives would ensure greater compliance with the Commission’s present rules by enhancing the deterrents and improving the ability to detect specific integrity-based regulation violations. Second, the initiatives would engender greater confidence of racing patrons nationwide¹ in Indiana’s pari-mutuel horse racing product.

Approval and implementation of the initiatives detailed in this proposal would further solidify Indiana’s reputation as a national leader in providing its horses and industry participants with a strong integrity-based regulatory environment.

¹ It is important to note that approximately 90% of the \$145 million dollars wagered on Indiana races is bet via simulcasting by out-of-state patrons.

Four Components

Oversight of “In Today”² horses. Commission regulations 71 IAC 8-1-1 and 8.5-1-1 prohibit the administration of any substance (with the exception of furosemide, equine feed and feed supplements) within twenty-four (24) hours of a horse’s scheduled race. Unfortunately, the unauthorized administration of medication to a horse on the day of its scheduled race is a problem throughout the industry. The extent of this problem is subject to debate. The successful prosecution by the Commission staff of violations of the Commission’s race day medication regulations in 2005, along with the accumulation of reported concerns on this subject, make it clear that Indiana is not immune from these prohibited practices. The staff recommends that oversight of “In Today” horses be enhanced by (1) identifying and clearly designating (through signage) those horses scheduled to race that day, and (2) by providing substantially increased track security in the barns housing the “In Today” horses.

The staff recommends that the track be responsible for identifying each horse scheduled to race that day and for placing a large, highly visible sign on each horse’s stall designating that the particular horse is “In Today”.³ This identification procedure would take place either late the day before a horse was scheduled to race or early on the morning of race day.

To implement this initiative, the track would be required to employ additional security whose primary responsibility would be to deter and detect any prohibited practices (unauthorized administrations) from occurring with respect to the “In Today” horses. It is anticipated that an estimated six to twelve (or more) additional security guards at each track would be necessary to effectively patrol the stable area.⁴

In order to make this oversight as effective as possible, additional rules would be necessary which would allow, on a limited basis, the Commission to require horses stabling off the track to arrive early on race day so that they too would be subject to the enhanced race day scrutiny. This would provide some level of oversight parity as between horses stabled on and off the track.

² The term “In Today” is a designation given to horses on the day they are scheduled to race.

³ The signage proposal is similar to, but more expansive than, a requirement imposed by the Illinois Racing Board.

⁴ The Commission staff is receptive to reviewing any track proposal which would, at least on a trial basis, utilize security cameras in lieu of a lesser number of security guards.

Veterinary Practices Initiatives. The oversight of “In Today” horses outlined above combined with the proposed veterinary practices initiatives referenced in this section should serve as an effective deterrent to unauthorized race day medication violations.⁵ *The foundation of the proposed veterinarian initiatives is a requirement that practicing veterinarians be escorted by a track employee during the period of time that salix is administered on race days.*

A synopsis of the initiatives are described in attachment “A” to this proposal. The results of a survey of other racing jurisdictions conducted by the IHRC staff regarding many of the proposed initiatives are provided in attachment “B”.

An alternative to this proposal as it regards unauthorized race day medication is to require all horses to report to a detention barn prior to racing. The New York Racing Association (NYRA) instituted a pre-race detention program in the summer of 2005. All horses racing at NYRA tracks (Aqueduct, Belmont and Saratoga) must report to the detention barn six (6) hours prior to its scheduled post time.

The length of time a horse must spend in detention to serve as an effective deterrent is a minimum of six (6) hours. A detention of such length (or longer) could negatively impact Indiana’s racing program by reducing the number of horses shipping into race from out of state. The Commission staff believes that the combination of race day oversight as described above along with the proposed veterinary practices initiatives will serve as a more effective deterrent without inconveniencing the majority of participants.

Blood Gas Program. The IHRC’s current blood gas program differs from industry standards in two important ways. First, in Indiana the testing laboratory is on-site at the track. This allows horses testing above permissible levels to be scratched *prior* to the start of a race. Virtually all other racing jurisdictions utilize post-race (instead of pre-race) testing. This results in an after-the-fact disqualification of a horse that is in violation of permissible blood gas levels. Second, the IHRC currently runs blood gas tests on all breeds of horses. Many jurisdictions that have a blood gas program test only standardbred horses.

⁵ The Commission staff would welcome alternative proposals addressing this issue. Any such proposal should, at minimum, serve as an equally effective deterrent to the race day medication violations.

The staff recommends that there be no operational changes to the existing blood gas program. The staff does recommend, however, that the cost of this program become the responsibility of the racetracks - instead of the Commission. This would permit the Commission to use funds previously spent on the blood gas program to hire additional (racetrack) personnel to strengthen its regulatory oversight.

Wagering Monitoring System. The IHRC's trade association, the Association of Racing Commissioners International, is in the process of establishing a subsidiary which is to be named RCI Integrity Services Inc. The initial focus of this subsidiary will be to construct, with leading industry technology providers, a national wagering monitoring system.

This system will monitor pari-mutuel handle of client tracks and/or states for the purpose of: (1) ensuring compliance with a particular state's statutes and regulations; (2) detecting breaches in security by unauthorized participants; and (3) detecting unusual or suspect wagering patterns.

The national wagering monitoring system is expected to become operational sometime in 2006. The staff recommends that each racetrack be required to participate in this program by regulation or as a condition of licensure.⁶ The cost of participation is expected to be a \$35,000 one-time configuration fee (per tote hub) plus an annual cost that is calculated by multiplying .00025 times the total of in-state pari-mutuel handle.⁷

Cost

The estimated cost of the programs outlined would be as follows:

Oversight of "In Today"/Vet Practices	\$600,000 (est.)
Blood Gas Program	\$122,406
Wagering Monitoring System	<u>\$ 46,750</u>
Total	\$769,156

The estimated cost of \$600,000 for the tracks to fulfill their responsibility for additional race day security is a very preliminary estimate. Should the

⁶ It should be noted that both Indiana Downs and Hoosier Park have been pro-regulation. The two tracks would in all likelihood become voluntary participants in this integrity-based program.

⁷ This equates to a total annual cost of approximately \$46,750. This would be paid proportionately by the Indiana tracks based on handle.

Commission decide to approve this proposal each track would be required to submit an estimated budget prior to the March 1 IHRC meeting.

Funding

The staff recommends that funding for the primary components of this proposal be obtained by dedicating three percent (3%) of the riverboat subsidy to the tracks for the implementation and continuation of these initiatives.

The proposed funding mechanism falls squarely within the legislatively established parameters for the Commission allocation of riverboat admission funds. IC 4-33-12-6(b)(6) provides in pertinent part:

(6) Except as provided in subsection (k), sixty-five cents (\$0.65) of the admissions tax collected by the licensed owner for each person embarking on a gambling excursion during the quarter or admitted to a riverboat during the quarter that has implemented flexible scheduling under IC 4-33-

6-21 shall be paid to the Indiana horse racing commission to be distributed as follows, in amounts determined by the Indiana horse racing commission, for the promotion and operation of horse racing in Indiana:

(A) To one (1) or more breed development funds established by the Indiana horse racing commission under IC 4-31-11-10.

(B) To a racetrack that was approved by the Indiana horse racing commission under IC 4-31. The commission may make a grant under this clause only for purses, promotions, and routine operations of the racetrack. No grants shall be made for long term capital investment or construction, and no grants shall be made before the racetrack becomes operational and is offering a racing schedule.

Should the Commission approve the “**Integrity ‘06’**” proposal along with the recommended funding mechanism, the cost of these initiatives would clearly qualify as a grant for the “***routine operations of the racetrack***”.

The total riverboat subsidy paid to the racing industry in calendar year 2005 was \$27,083,893. The Commission staff recommends that 3% of the amount distributed be deducted from every quarterly and supplemental payment of the riverboat subsidy and paid to the tracks (approximately \$810,000 annually) to fund these programs prior to the distribution of the remaining funds (as currently specified) to the racing industry. This three percent payment would be allocated to

Indiana Downs and Hoosier Park. The staff recommends no change to the present allocation formula other than the three (3) percent “integrity surcharge”.

It is important to note that the regulatory enhancements recommended in this proposal are not just operational “*track issues*”. In a greater sense, they are also important “*industry issues*”. Accordingly, all facets of the industry should bear the responsibility and the burden of paying for the implementation of the “***Integrity ‘06***” initiatives. It should be noted that under the proposed funding mechanism, no industry special interest group would contribute a disproportionate share of the revenue to support these initiatives. Likewise, when viewed in the context of the total riverboat funds available to the horse racing industry, no special interest group would be significantly adversely affected from a monetary standpoint.⁸ For example, the standardbred and thoroughbred breed development funds would each be reduced by approximately \$75,000 annually. Each fund has an annual operating budget of approximately \$3,000,000.

Timeline

The projected timeline for this proposal is as follows:

January 24, 2006

The IHRC would consider (and hopefully approve in concept) the “***Integrity ‘06***” proposal at its January 24, 2006 scheduled public meeting.

January 27, 2006

The Commission staff would disseminate enabling draft rules and regulations to industry participants for review and input. Written input would be due by February 15, 2006. The staff would issue recommended rules shortly after receiving written industry input.

March 1, 2006

The Commission would receive comments from racing industry participants and the public at its March 1, 2006 meeting. Thereafter, the Commission would consider and promulgate the appropriate emergency rules.

⁸ It is worth reiterating that the proposed source of revenue for this proposal is state tax revenue generated by riverboat admission tax. None of the proposed funding is earned by any segment of the horse racing industry. Over the past four (4) years over 100 million dollars of riverboat revenue has been distributed to the racing industry. When viewed in this context, the funding for the “Integrity ‘06” proposal represents a very modest sum to help ensure the integrity of the sport.

April 2006

Implementation of the new initiatives would begin at both Indiana tracks when they open their respective racing seasons, Hoosier Park (April 1, 2006 – Standardbreds) and Indiana Downs (April 21, 2006 – Thoroughbred and Quarter Horse).

Other Initiatives

The IHRC will also be addressing a number of additional issues in the coming months. These are expected to include random human drug testing and jockey related issues such as safety reins, starting gate padding, track warning system and apparel advertising.

Attachment “A”

Veterinary Practices Initiatives

Indiana Horse Racing Commission

2006 Initiatives Regarding Veterinarian Practices

1. **Overseeing race day activities.** Promulgate rule which requires all practicing veterinarians to be escorted by an association employee during the time period of race day that Salix (furosemide) administrations are authorized.
2. **Taking responsibility of employees.** Promulgate rule that makes practicing veterinarians responsible for the actions of their employees.
3. **Visual inspection of salix draws.** Promulgate rule or approve policy requiring all race day draws of salix be made by, or in view of an association employee.
4. **Prohibit pre-drawn injectables.** Promulgate rule prohibiting the practice of pre-drawing injectables. Prohibit the possession of pre-drawn injectables.
5. **Require filing of medication reports.** Promulgate rule requiring medication reports to be filed on a daily basis.
6. **Expand filing of medication reports to off-track stabling.** Promulgate rule requiring medication reports of licensed veterinarians to include administrations to horses competing at Indiana's pari-mutuel tracks that are stabled off the grounds.
7. **Prohibit off-track administrations by suspended, excluded or ineligible veterinarians.** Promulgate rule to prohibit *trainers or other licensees* from utilizing the services off the grounds of the association of veterinarians who are suspended, excluded or ineligible for licensure.

Attachment ‘B’

Survey

Indiana Horse Racing Commission

Survey Regarding Practicing Veterinarians

1. Do you require that a Commission or track employee view the drawing of salix into the syringe for administration to salix horses on race day?

1 Yes MN

15 No CA, IA, KS, VA, KY, FL, MD, DE, MI, WA, SD, NE, NY, IL, OH

2. Do you prohibit practicing veterinarians to possess predrawn or loaded syringes in their vehicles?

3 Yes KY, DE, NY

13 No CA, IA, KS, VA, FL, MD, MI, WA, SD, NE, IL, OH, MN

3. Do you require practicing veterinarians to file a medication or treatment report to the Commission on a daily or weekly basis?

12 Yes WA, DE, MD, FL, KY, VA, KS, IA, CA, SD, NE, MN

4 No MI, NY, IL, OH

4. If you responded "yes" to #4 do you require the medication or treatment report filed by practicing veterinarians to include horses actively racing but stabled off the grounds of the race track?

6 Yes SD, CA, KS, WA, NE, MN

6 No IA, VA, KY, FL, MD, DE

5. Do you have regulations to prohibit trainers stabled off track from utilizing the services of a suspended practicing veterinarian?

4 Yes MI, KY, NE, MN

12 No WA, DE, MD, FL, VA, KS, IA, CA, SD, NY, IL, OH

6. Do you have a rule or policy requiring a licensed practicing veterinarian to be escorted by a Commission or track employee on race day?

1 Yes MN

15 No SD, CA, IA, KS, VA, KY, FL, MD, DE, MI, WA, NE, NY, IL, OH